

Shell Exploration & Production Company



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March 28, 2001

Department of the Interior
Minerals Management Service (MS 4230)
1849 C Street NW
Washington, DC 20240
Attention: Elizabeth Montgomery,
MMS Regulatory Coordinator,
Policy and Management Improvement

Dear Ms. Montgomery:

**Subject: MMS Request for Comments (65FR81465)
Review of Existing Regulations - 30 CFR Chapter II**

Shell Exploration and Production Company (SEPCo) is pleased to submit comments on the subject review of regulations published December 26, 2000. SEPCo is a leading producer of oil and gas and a large leaseholder in the Gulf of Mexico. As such, we are quite interested in participating in annual reviews of Minerals Management Service (MMS) regulations.

SEPCo has also participated in and hereby adopts the comments prepared and submitted by the Offshore Operators Committee (OOC).

Comments offered for consideration by the MMS are as follows:

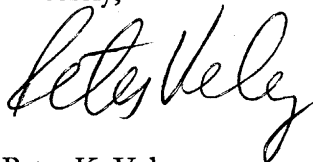
30 CFR 250 Reference	Description	Proposed Change	Rationale
250.900-914; Subpart I	Requirements for Floating Production, Storage and Offloading Facilities and Floating Production Systems.	<u>Gaps and Recommendations-- MMS</u> <ul style="list-style-type: none">Platform verification program regulations should be updated for floating facilities, including FPSOs. Additional systems to be reviewed in the verification program include the turret, risers and mooring systems.MMS should review and consider incorporating into the regulations API RP 2FPS, API RP 2SM, API RP 2SK, API RP 2RD and API RP 17J in their entirety. In the future, additional industry standards and practices may be available for consideration for	<p>The Offshore Operating Committee (OOC) submitted a report to Ms. Carolita Kallaur, MMS, dated March 28, 2001 regarding the regulatory framework for the design and operation of Floating Production Storage and Offloading Systems (FPSOs) in the Gulf of Mexico (GOM).</p> <p>On March 22, 2000, Mr. Chris Oynes, MMS GOM Regional Director, sponsored a meeting between MMS, USCG and Industry to discuss the regulatory requirements for FPSOs in the GOM, should they be found to be an acceptable development option. In that meeting, Mr. Oynes summarized the ongoing activities related to</p>

		<p>incorporation into the regulations in part or in their entirety.</p> <p><u>Gaps and Recommendations—</u> <u>Joint MMS and USCG</u></p> <ul style="list-style-type: none"> • In the MOU, both MMS and USCG have been given jurisdiction for reviewing and approving the design of the turret and mooring system. It is recommended that a verification agent acceptable to both agencies be selected to review and certify the design for both agencies. • In the MOU, MMS and USCG have been given jurisdiction for reviewing and approving various portions of the integrated monitoring and safety systems. It is recommended that a work group consisting of representatives of Industry, MMS and the USCG be formed to address the integration of these systems. • In the MOU, both MMS and USCG have been given jurisdiction over piping systems. It is recommended that for cargo tank piping that the spec break between MMS and USCG jurisdiction occur at the 1st valve downstream of the last processing vessel (and its control valves and safety system) prior to the oil entering the cargo storage tanks. A work group consisting of representatives of Industry, MMS and USCG should be formed to review other similar systems and agree to where the spec breaks between the systems should occur. These spec breaks should be codified into the USCG and MMS regulations. Alternatively, MMS and USCG should consider adopting consistent industry standards for piping systems. <p>Neither agency's regulations address integral hull tanks used as process vessels (such as wet/dry oil tanks). It is recommended that all integral hull tanks be under USCG jurisdiction for structural design. For tanks used as process vessels,</p>	<p>FPSOs; the preparation of the Environmental Impact Statement (EIS) and the Comparative Risk Assessment (CRA). The third step in the process is to identify any gaps in the regulations and develop a regulatory model that will be utilized by MMS and the USCG in the review and approval of a FPSO project. Although it is recognized that MMS and the USCG will have to agree among themselves the appropriate regulations and regulatory split between the two agencies, both agencies agreed that it would be beneficial to have Industry provide input on the regulatory model. The USCG was represented by the Eighth Coast Guard District and they cautioned that they do not have the authority to formally represent the USCG on the modification of existing regulations or the establishment of new regulations, but they would participate in the process. It was decided that a workgroup would be formed under the direction of the OOC Deepwater Committee and consist of Industry representative, Class society representatives, MMS and USCG. Representatives from the MMS and USCG headquarters groups were invited to participate and received copies of the meeting minutes and draft documents for their review and comment.</p> <p>The overall goal of the workgroup was to review the existing (and proposed) regulations and industry standards covering the design, construction and operation of FPSOs in the GOM and identify any gaps in either the regulations or standards that need to be addressed prior to bringing FPSOs in the GOM, assuming that FPSOs are acceptable to the regulators. A regulatory model or framework was developed for consideration by the regulators. The workgroup considered the regulations that would apply to a US flag FPSO or an undocumented FPSO that is designed to US flag requirements (similar to the existing floating platforms). Limited discussions were held on the differences in permitting a US flag FPSO and a foreign flag FPSO.</p> <p>It is suggested that the recommendations of this workgroup be incorporated into MMS regulations</p>
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		the safety system, control valves, and piping to and from the process vessels should be under MMS jurisdiction. Piping spec break should occur at the 1 st flange outside the tank.	
250.1102 (b)(3) 250.1103(a)	Subsea Well Testing	Clarify the regulations to allow various methods for testing subsea wells, including testing by subtraction, exception, downhole venturi, or multiphase subsea flowmeters.	Allowing the use of various test methods would reduce the cost of subsea developments due to the elimination of a separate test flowline. It would also eliminate operational concerns, such as hydrate formation, due to shutting in other wells to test a well, and undue wear on valves due to the frequency of operating them.
Subpart L	Production Measurement and Commingling	Drop requirement of separate continuous measurement and allocation trains for different royalty rate production volumes. Give operators authority to switch (gas and liquid) between connecting pipeline systems, downstream of royalty points, prior to arrival onshore, without modifying commingling authority.	Some marginal project's economics do not support additional equipment for separate measurement prior to commingling. The purpose of Royalty Relief is to facilitate marginal projects. Commercial flexibility regarding switching of volumes between pipelines downstream of offshore royalty points is necessitated by competitive market forces.
260.110(d)(2)	Field Designation	Change the time given to file a written request with the Director for reconsideration of a new field assignment from 15 days to 30 days.	15 days is not adequate to prepare comprehensive statement of reasons for reconsideration of field determinations. Often the fields under review are complex and addressing reasons given for association with surrounding fields takes effort beyond 15 days.
General	Sustained Casing Pressure	We understand that the MMS is currently reviewing a revised NTL regarding sustained casing pressures (SCP) including monitoring, diagnostic testing, reporting and remediation. It is our hope that the MMS continues to work with industry on this issue to generate a balanced set of guidelines that are reasonable and will not promote unnecessary expenditures to resolve SCP problems that are not a safety or environmental concern.	

We complement the MMS in their continuing efforts to provide the annual opportunity to review the regulations. If you have any questions, please contact Phil Smith at (504) 728-4252.

Sincerely,



Peter K. Velez
Manager Regulatory Affairs